

Message Text

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PAGE 01 SAN JO 03318 181804Z

72

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 SCEM-02 INT-08 DODE-00 PM-07 H-03 L-03 PA-03

PRS-01 USIA-15 ACDA-19 IO-13 DRC-01 /207 W

----- 125939

R 181700Z SEP 73

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 5113

C O N F I D E N T I A L SAN JOSE 3318

E.O. 11652: GDS

TAGS: ENRG, ETRD, EIND, CS

SUBJECT: GOCR MISSION TO NEGOTIATE PRICE INCREASE WITH RECOPE

REF: SAN JOSE 3031 AND STATE 183432

1. MINISTER OF ECONOMY, INDUSTRY AND COMMERCE
KOGAN TOLD ME TODAY THAT HE WOULD BE LEAVING
FOR HOUSTON SEPTEMBER 20 TO TALK TO
RECOPE ABOUT PRICE INCREASES. HE IS TAKING
WITH HIM THE PRESIDENTS OF THE CHAMBER OF INDUSTRIES
AND CHAMBER OF COMMERCE, TECHNICAL ADVISORS, AND
TWO MEMBERS OF THE LEGISLATURE, INCLUDING
GUILLERNA JIMENEZ, THE OPPOSITION MEMBER
WHO HAS BEEN A VOCAL CRITIC OF THE RECOPE
CONTRACT.

2. KOGAN SAYS THAT IT IS THE GOCR'S INTENTION
TO PROPOSE A TWO-STEP PRICE INCREASE, ONE
NOW AND ONE AFTER THE ELECTION IN FEBRUARY.
THE PURPOSE, OF COURSE, WOULD BE TO AVOID
THE POLITICAL PROBLEMS OF A RELATIVELY
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PAGE 02 SAN JO 03318 181804Z

LARGE INCREASE NOW.

3. I URGED HIM TO BE AS FORTHCOMING AS POSSIBLE, POINTING OUT THAT THE COMPANY BELIEVED IN GOOD FAITH, THAT IT HAD A PROMISE FOR A PRICE INCREASE AND THAT THERE WAS CERTAINLY JUSTIFICATION FOR ONE. I SUGGESTED THAT IT MIGHT BE EASIER TO "BITE THE BULLET" NOW RATHER THAN LATER. IF IT WERE ABSOLUTELY NECESSARY TO GO THROUGH A TWO-STEP INCREASE, I TOLD HIM, THEN HIS CHANCES OF CONVINCING ALLIED OF THE GOCR'S GOOD FAITH WOULD BE GREATER IF HE OFFERED A LARGE STEP INCREASE NOW AND A SMALLER ONE LATER. THE MINISTER SAID HE WAS THINKING OF A 50-50 SPLIT, AND I SUGGESTED 70-30. HE ENDED UP BY MUSING THAT PERHAPS HE MIGHT OFFER TWO-THIRDS OF AN AGREED PRICE INCREASE NOW AND ONE-THIRD IN FEBURARY. I URGED HIM TO REACH AGREEMENT AND TO AVOID ANY BRAKDOWN IN DISCUSSIONS, STRESSING THAT THE COMPANY VIEWED THE GOCR'S WILLINGNESS TO RAISE PRICES AS A TEST OF ITS GOOD FAITH.

4. COMMENT: IT OCCURS TO US THAT A TWO-STEP PRICE INCREASE OF TWO-THIRDS NOW AND ONE-THIRD LATER WOULD BE REASONABLE, IF NOT IDEAL, AND ANYTHING IN THAT NEIGHBORHOOD OUGHT TO BE ACCEPTABLE TO ALLIED. WE DO NOT THINK THAT ANY OF THE FOREGOING OUGHT TO BE RELAYED TO ALLIED HOWEVER SINCE I AM NOT SURE JUST PRECISELY WHAT POSITION KOGAN WILL FINALLY TAKE WHEN HE SITS ACROSS THE TABLE.
VAKY

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EO Systematic Review
30 JUN 2005

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